

Estimated Fiscal Impact of Bill # HB 66 Date January 20, 2009
 Short Title Property Tax Amendments

Contact Cathy DudleyTitle MSP BUDGET AND PROPERTY TAX SPECIALISTAgency Utah State Office of EducationPhone 801.538.7667**Short Form**

Use only when there is no appropriation needed for state agencies, and no fiscal impact on state revenues, local governments, businesses, or individuals.

If the bill looks like it should have a fiscal note, explain why it does not. For example, a bill might put into code something that is already current practice.

Attachments welcome.

- ☒ State agencies will not require an appropriation to implement the bill.
☐ There is no fiscal impact on local governments.
☐ There is no fiscal impact on businesses
☐ There is no fiscal impact on individuals.
☐ The bill will not affect revenues.

Explain why this bill has no fiscal impact.

A. What parts of the bill cause fiscal impact?

Cite specific sections or line numbers.

See Narrative in "C" below.

B. Which program gets the appropriation?

(Approp. Unit Code)

(To appropriate to an additional program use an additional form.) This is ____ of ____.

C. Work Notes: Assumptions, calculations & what are we buying?

Assume that a legislator calls you in to explain how you came up with your fiscal impact and these are the only notes you get to take with you.

List all costs. Identify one-time and ongoing costs. Detail FTE impacts.

Do not say, "\$50,000 in Current Expense." Be very specific about what \$50,000 will buy.

Attachments encouraged.

This bill consolidates the existing authority for school districts to impose 11 separate property tax levies into two local discretionary General Fund levies: the Voted Local Discretionary Levy (ceiling of 0.002000; renaming the voted leeway with state aid guarantee) and the Board Local Discretionary Levy (ceiling of 0.004200 -except for school districts that levied an aggregate tax rate for the newly defined Board Local Discretionary Levy of 0.003990 or more in FY2008-09 may levy an additional 0.001000 for a total of 0.005200 [53A-171a-163(2)]) and repeals 10 of the 11 consolidated levies (53A-17a-133 and 53A-17a-164).

Please see further explanation on the worksheet titled C. Work Notes (continued).

D. If this is a revenue bill, show impacts here. (Select funds from drop-down menu.)

Total	<u> \$0 </u>	<u> \$0 </u>	<u> \$0 </u>

E. Show Costs to Implement the Bill by Fund (Select funds from drop-down menu.)

Total	<u> \$0 </u>	<u> \$0 </u>	<u> \$0 </u>

F. Show Costs to Implement the Bill by Expense Category.

Personal Services			
Travel			
Current Expense			
DP Current Expense			
DP Capital Outlay			
Capital Outlay			
Other/Pass Thru			
Total	<u> \$0 </u>	<u> \$0 </u>	<u> \$0 </u>

G. How will the bill impact local governments?

Your estimate of the bill's impact
on local governments.

Attachments welcome.

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H. How will the bill impact businesses?

Your estimate of the bill's impact
on businesses.

Attachments welcome.

Tax burden expected to be relatively constant.
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I. How will the bill impact individuals?

Your estimate of the bill's impact
on individuals.

Attachments welcome.

Tax burden expected to be relatively constant.
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This bill consolidates the existing authority for school districts to impose 11 separate property tax levies into two local discretionary General Fund levies: the Voted Local Discretionary Levy (ceiling of 0.002000; renaming the voted leeway with state aid guarantee) and the Board Local Discretionary Levy (ceiling of 0.004200 -except for school districts that levied an aggregate tax rate for the newly defined Board Local Discretionary Levy of 0.003990 or more in FY2008-09 may levy an additional 0.001000 for a total of 0.005200) and repeals 10 of the 11 consolidated levies.

Attached is a spreadsheet (HB66-VALTAX09-Revised) that shows the rate a school district would currently have based on the tax levies going to the new Board Local Discretionary Levy. There are four school districts that would qualify for the increased ceiling of 0.005200 (Duchesne (0.004327); San Juan (0.004867); South Summit (0.0041019); and Logan (0.004150). This rate is shown in Column AG.

The bill amends the Voted Leeway Program and changes the name of the Voted Leeway to the Voted Local Discretionary Levy (53A-17a-133). The vote for a Voted Leeway can be at a General Election in November or at any Special Election. The provision remains that school districts need not go through the advertising portion of the Truth In Taxation (TNT) process with the Voted Local Discretionary Levy if they have had a vote on the issue within the prior four years.

This bill also increases the Minimum Basic Levy to a fixed rate of 0.002000 -- a rate-based levy instead of a dollar yield-based levy. The increased revenue generated by the 0.002000 tax rate, plus new growth, is deposited into the Uniform School Fund and distributed through the WPU according to existing statute (53A-17a-135(1) and 59-2-926).

Because of an increase in the local revenues generated, the state funds in the Uniform School Fund would also increase, increasing the value of the WPU. Using current data, if the Basic Rate were to be increased to 0.002000 from the current FY10 estimate of 0.001303, an extra \$147,788,921 could be generated, thus increasing the value of the WPU by \$207 (from \$2,577 to \$2,784). The attached spreadsheet titled *HB66-Basic Rate Revenue* shows the calculation.

A school district's "board property tax revenue" is defined as an amount equal to: (a) the amount of revenue generated by the nine repealed levies beginning January 1, 2009, including new growth; LESS (b) the difference between (i) the amount of revenue generated by the Minimum Basic Levy from the rate imposed beginning January 1, 2010 (potentially 0.001303 for FY10, plus new growth) and (ii) the increased Basic Rate levy revenue imposed in FY2010-11 and going forward-which is potentially the revenue generated by 0.000697 (0.002000 less 0.001303).

The certified tax rate for the Board Local Discretionary Levy is decreased by the incremental rate difference between the revenue from the FY2009-10 Basic Rate and the new fixed basic rate of 0.002000; that certified tax rate definition then carries forward year to year. The school districts are exempt from the TNT provisions for the Board Local Discretionary Levy if the district budgets an amount equal or less than the "board property tax revenue" - described above. This means that more funds are distributed statewide based on WPU value and less funds are distributed statewide based on local property tax relative wealth, that is, potentially a measure of assessed valuation per student. This is part of the equalization goal of this bill.

This bill also allows a new school district created from the division of a school district to discontinue, impose or change the Board Local Discretionary Levy and the Voted Local Discretionary Levy subject to the maximum duration or tax rate authorized by the voters of the existing school district. Repeals the Capital Outlay Foundation Program, but retains the Enrollment Growth Program and places ongoing Capital Foundation funds into the Capital Outlay Enrollment Growth program.

Attached is a spreadsheet (HB66-Enrollment Spreadsheet) showing the funds distributed through the Capital Outlay Enrollment Growth Program. In columns P and Q on the worksheet titled "ENROLLMENT GROWTH-ALL FUNDS " there is a comparison between the current distribution of both the Capital Outlay Enrollment Growth Program and the Foundation Program and the distribution of just the funding for the Enrollment Growth Program going forward. As you can see, there would be winners and losers in this distribution. (Current year data was used to calculate this spreadsheet. Canyons School District was not separated from Jordan School District in the calculation because Canyons School District data is not available at this time.)

Also, the school districts' contribution to the Charter School Local Replacement Funding would be increased because the Board Local Discretionary Levy would include those tax rate revenues that are not currently used for that calculation. The attached spreadsheet (HB66-Local Replacement Funding Spreadsheet) shows the increase to school districts on the worksheet tab, DATA using New Board LDL in column AH.

In FY2010-11, districts in First Class Counties must also levy a Board Local Discretionary Levy of at 0.000600 (53A-17a-163(4)) to be distributed for Capital purposes. The District's Board Local Discretionary Levy may not be considered in establishing the district's aggregate certified tax rate, but shall be included in establishing a certified tax rate for the levy itself and provisions relating to the requirement that a school district in a divided school district levy at least 0.000600 by substituting the repealed capital outlay levy in 53A-16-107(3) for the new Board Local Discretionary Levy in 53A-17a-163. This effects Truth In Taxation parameters of 59-2-924.3 "Adjustment of the calculation of the certified tax rate for a school district imposing a board local discretionary levy in a count of the first class" and 59-2-924.4 "Adjustment of the calculation of the certified tax rate for certain divided school districts.

The Special Transportation Levy in 53A-17a-127 is repealed, however the guarantee of 85% of the state average cost per mile-contingent on Legislative appropriations-remains in 53A-17a-127(6)(b)(i).

The Reading Achievement Board Levy is repealed, however, the school district's local matching dollar requirement remains. The Utah State Office of Education will be required to verify that a school district allocates the matching monies before USOE distributes the funds (53A-17a-150(8)(e).

The effect of depositing the increased revenue derived from the increase in the Basic Tax Rate from the expected FY2009-10 Basic Tax Rate of 0.001303 to 0.002000 and depositing it into the Uniform School Fund is to redistribute the increased dollars based on the number of value of the Weighted Pupil Unit (WPU) in each school district and the charter schools. That is an equalization based on the number and value of the WPU vs. the relative property tax value in each school district.